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Co-Branding: A Case Study of Air India and SBI Card

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ABSTRACT

Co-branding is an instrument in the hands of management for introduction of new products in the market by the partner brands. The aim of this paper is to know and assess the usefulness of co-branding in brand building management. Focus has also been laid on the selection criteria of partners. The positive and negative side of co-branding have also been included in this study. This paper discusses the role of co-branding with special reference to Air India & SBI Card. A special light has been shed on why the selection of a partner is an important aspect in co-branding. Selection of an appropriate partner jacks up the brand equity of each partner. The research discusses the advantages and disadvantages of co-branding too. The paper gives the conclusion that companies are adopting co-branding as an extension strategy to maintain and increase foot hold in the market share by introducing fresh products.

Keywords: Brand, Branding, Co-branding, Marketers, Partner, Air India, SBI Card.

INTRODUCTION

In today's cut throat competition in the market, the preferences of consumers are very different. There has been a continuous change in style, fashion, and preferences of consumers towards products. Consumers do not see any difference between products as far as the physical elements and other criteria are concerned. Every marketer has adopted a different approach to tempt consumers and thus, branding plays a vital role in occupying a place in the minds of consumers. Branding is such a tool in the hands of management which differentiates a product from the competitors' products. As has been defined by Philip Kotler "Branding is a management process to differentiate a product from those of competitors' and provide an association to the product with the manufacturers". Branding has many challenges in the present competitive market. That is why the marketers have adopted co-branding as an alternative branding strategy in this cut-slit competition to grab more market share by cutting short costs and reducing others constraints. Co-branding is an amalgamation/ fusion of two or mare brands for the introduction of a new product or for co-advertising, co-sponsoring or joint promotion (Grossman 1997). Co-branding is the

association of two or more brands in the market place. Park *et al*. (1996) identifies that co-branding is the exercise of two or more brand names to introduce a fresh product. It is the way to leverage the parent brand name and create a reputation for a new brand. According to a study by Aaker & Keller 1990, management uses brand extension to introduce new products/services. The amalgamation of two or more brands is possible only between equal partners in terms of strength and characteristics. In co-branding, the partner brand gets lost if the brand equity of either partner is higher.

There are two categories of co-branding, "Ingredient and composite co-branding". As far as ingredient branding is concerned, in ingredient branding one brand uses a brand as an element to produce another brand. Ingredient brands are major brands and are protected by a patent. In case of composite co-branding two brands collectively offer a unique product or service. According to a study by Cohen & Murphy (1984); Park, Jun, & Shocker, 1996, a co-branded extension is a composite brand idea that includes the features of two brands. Both the participating brands are associated with a set of features that are combined according to a set of policies to offer a composite brand. Akula (2008) indicates that brands which have varying dimensions of attributes, benefits, values, culture, personality, and uses have the real power to generate wealth. Brands which possess all these qualities command respectable position in terms of sales, reputation & image. The Air India co-branding with SBI Card to launch a co-branded Credit card is a good example. It is beneficial to customers as they can avail benefits anywhere in the world.

OBJECTIVES OF THE STUDY

The objective of this paper is the assessment of usefulness of co-branding in the management of brand building. The criteria of partner selection and negative side of co-branding has also been analysed in this research.

RESEARCH METHODOLOGY

The paper derives data from the review of literature and is based on secondary information. Sources such research papers, articles posted on databases like Emerald and EBSCO along with online newspapers, blogs, magazines, journals have been accessed. The website of Air India and SBI Card have also been browsed to derive data related with branding deal. This paper has been prepared to familiarise the co-branding aspect of a brand with special reference to Air India & SBI Card.

Co-branding Pros & Cons

Though brand extension is a managerial strategy to grab more market share of the existing companies or products and a lot many companies are focusing on this strategic amalgamation of brand to minimise the risk, the negative side of it cannot be ignored. Let us see two facets of the same coin.

1. Co-branding builds a better brand
2. Co-branding tarnishes the existing brand equity.

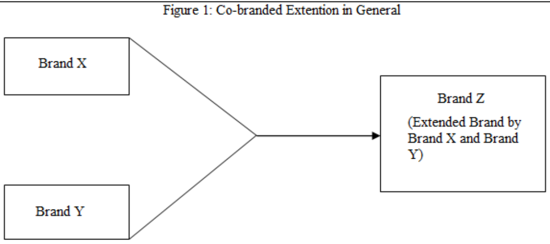
1. Co-branding as a helper in building better brands

Marketers are of the opinion that co-branding aids in building a better brand in the competitive environment. It is being used in this cut throat competitive market to jack up the market share of a company in the same market or in a different new market. It reduces the investment of a firm's resources including cost, time, money, energy. They can together use their distribution system to raise the revenue of the company. A good stock of literature on this subject signifies that co-branding is a wonderful strategy as it facilitates associate brand to gain promotion synergies (Samu, Krishnan, & Smith 1999), as well as customer feelings towards

parent brands. Another study finds that co-branding helps the maker brand to jack up its visibility by piggybacking on the stronger one. With the help of co-branding partners can share benefits and exchange their strength to remove their shortcomings. Since in co-branding, two or more brands make alliance, it makes a stronger brand and attracts consumers for the newly established brand. According to Aaker 1991, Park Jaworski & Mac Innis, 1986, brand extensions have become common phenomena among companies to introduce new products by taking the liberty of existing established brand equity. According to Rao and Rucker (1994), co-branding is the way to present a new product to customers by existing parent brands.

Literature suggests that co-branding strategy is adopted in three cases: (1) When a new brand is to be launched in the competitive market, or (2) A weak brand is present in the existing market, or (3) For establishing the brand image.

Figure 1: Co-branded Extention in General



Source: Based on Review of Literature

Co-branding strategy is not an easy cake. It is also full of risk. It costs time, money, energy for the company.

According to Mohan and Sequeira (2013), since brand is considered to be one of the most important intangible assets, companies spend a huge amount of money, time and energy for brand building. Simonin & Ruth (1998), opine that marketers have different options to make a stronger brand in the market, but it is tough. In this competitive market scenario, brand image building is very complex and has a strong bearing on both the amalgamating brands.

Association between weak and strong Brand

	Weak Brand	**Strong Brand**
Weak Brand	Improves both brand or can affect any one brand	Improves weak brand or can affect strong brand
Strong Brand	Improves weak brand or can affect strong brand	Either improves both brand or affects any one brand

Source: Based on review of literature

As per the table, the association between two week brands may help both brands and the fusion between two strong brands may either improve both brands or can affect any one brand. The amalgamation between a weak brand and a strong brand normally helps the weaker brand, but at times, the weaker brand can affect the strong brand. The literature suggests that huge discrepancies between brands can affect both of the amalgamating brands; in the same fashion nearness between brands will benefit both of the brands.

What does co-branding give to the amalgamating brands? The co-branding strategy gives following benefits to the associate brand partners:

- Exposure to the market
- Economies of scale
- Risk share
- Profit share
- Entry into new market
- Entry in-dept (market penetration)
- Benefit from the learning curve of the partner
- Increment in bargaining power
- Sharing of resources
- Introduction of new product into the new market
- Introduction of new product in the old market
- Introduction of an old product in the new market
- Keeps the new brands at bay
- Helps in promotion

Apart from the above mentioned advantages provided by co-branding, the amalgamating brands may get other sort of benefits as well such as more sales, more customer trust on the product and greater product image.

2. Co-branding tarnishes the existing brand equity

It is important for the participating brands before they enter into co-branding strategy, to partner with such a brand which makes the partner brand complete and takes the values proposition of both product up. As has been found that in co-branding, the weaker brand gets leverage in the market place due to the association with a strong brand. It is incumbent on the strong brand to examine the situation and carefully analyze all possible outcome out of such association. If it does not do so, strong brand stands to lose credibility and it will have a toll on brand image. Loken & John in their study in 1993 reveal that once brand extension features are not compatible with the attitude of the brand's ancestors, it results into brand dilution. They further give the reason as to have the brand will be diluted. They say, in co-branding, consumers may react to a particular brand due to its association with a lesser known or controversial brand, the original brand will lose its market reputation. Although co-branding strategy is being highly used in today's market scenario, critiques cite following disadvantages of co-branding:

- It develops confusion in the minds of customers.
- It is risky for both the amalgamating brands.
- It is difficult to find out USP of a particular brand after amalgamation.
- It may create disparity between two brands and may affect partner brands negatively.
- Brand equity of one brand may be harmed due negative consumer experience of another brand.

Criteria for Co-Branding: At times co-branding strategy proves a win-win situation for both the brands, on the contrary sometimes it results in grave loss to both. Sometimes it furnishes a wonderful synergy to the brands whereas sometimes the strategy lands in mere waste of money, time, and energy.

Proper exploration and examination of all criteria for success must be done. Continuous evaluation of the factors affecting co-branding increases the potential success for the fusion of two brands. Therefore, for co-branding the following criteria among the partners must be analysed before forming an alliance:

- The brands going for fusion should have a common vision, mission, philosophy & approach.
- Both of the brands should target the same market and audience.
- STP - Segmentation, targeting and positioning strategy should be same.
- The management of both brands should be congenial and like-minded.
- The cultural aspect of market should not be diverse.
- Both brands should have access to the market and customer base.
- Above all, both brands should benefit from the alliance.

Criteria for the Selection of a Good Brand Partner in Co-Branding

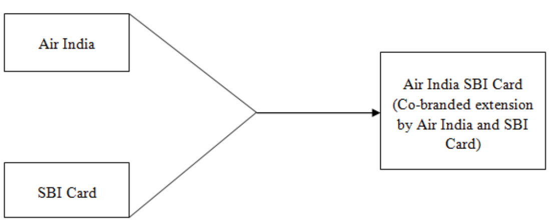
Selection of a partner and a product is the most important part in co-branding. Selection of a partner plays a greater role as improper selection will tarnish the brand reputation. Each partner should look into the efficiency and supply of the other partner (Mehdi, 2013). The following are the criteria that must be measured in the selection of a good brand partner:

- The partner should possess positive testimonials and skills.
- There should be synergy between the brands for association.
- Identity of both brands should be same in one way or the other.
- They should have industry association and client list.
- The brands should have well-built business network.

Co-Branding: Air India & SBI Card Case Study

Air India started a licensing deal with SBI Cards and Payment Services Private Limited (SBI Card) in September 2013. Air India is a flag carrier airline of India and it occupies a special place in the global and Indian aviation scenario. It has pioneered the aviation in India and its history is synonymous with the history of civil aviation in India. It flies one of the youngest, state-of-the-art, fleet of 129 aircraft comprising a mix of the wide-body Boeing B787 Dream liners, B777s, B747s, Airbus A330s and the narrow body Airbus A321s, A320s, A319s and the Boeing B737s. It has a strong network of 33 international destinations across the USA, Europe, Far-East, South-East Asia, and the Gulf; it offers non-stop services to New York, Newark, Chicago, London, Birmingham, Paris, Frankfurt, Sydney, Melbourne etc. The air India domestic network covers 63 destinations, including far-flung areas of the North-East, Ladakh, Andaman and Nicobar Islands.

Figure 2: Air India and SBI Card Co-branded Extension



Source: Based on study

SBI Cards and Payment Services Private Limited (SBI Card) is a joint venture between State Bank of India and GE Capital to offer the customers of India extensive access to a wide range of world-class, value-added payment products and services. The State Bank of India and GE Capital have set up two joint venture companies to develop a credit card business in India- (1)SBI Cards & Payment Services Pvt. Ltd., which focuses on the marketing and distribution of SBI Cards and (2)GE Capital Business Processes Management Services Pvt. Ltd., which handles the technology and processing needs of SBI Card. The main objective of this co-branding is to provide best-in-class travel experiences and benefits to business and leisure travellers. The name of this card is the Air India SBI Card which allows a customer spending Rs 5 lakh in a year to earn up to 3 Delhi-Mumbai return tickets on Air India. This co- branding card has been designed to ensure that travellers are able to benefit from the destination network offered by Air India and exceptional services offered by SBI Card. The licensing deal will help them penetrate deeper into the market by providing simple and comfortable solution to travel.

According to the Chairman of State Bank of India, Pratip Chaudhuri, “The coming together of two national brands like SBI Card and Air India is a unique proposition. Through this card, both the brands wish to add value to the travel experience of the Indian consumer. Both companies are extremely pleased to have partnered with each other. He said our “combined synergies will ensure a rewarding experience to our customers in the travel segment”.

According to the chairman and managing director, Air India, Rohit Nandan, “Air India is committed to providing our passengers with a comfortable travel experience.

Chairman and Managing Director, Air India, Rohit Nandan, (L) and Chairman of State Bank of India, Pratip Chaudhuri (R) at the launch of Air India SBI Card Source:google.com

Since nowadays the discerning passenger looks for simple and comfortable solutions to travel, we are pleased to partner with SBI Card and believe that this offering will continue to add value to our customers".

The Air India SBI Signature Card comes with a joining gift of 20,000 reward points for the customer. In addition to the joining gift, the new Air India SBI Signature Card offers four reward points for retail spend of every INR 100 and 20 reward points for every INR 100 spent on the Air India website and booking offices for purchase of air tickets. The Air India SBI Signature Card offers bonus reward points at various spend milestones. These reward points can be redeemed for Air India Air mile in a ratio of 1:1.

Source: sbicard.com

BENEFITS OF AIR INDIA SBI SIGNATURE CARD	**BENEFITS OF AIR INDIA SBI PLATINUM CARD**
Bon Voyage: 20,000 Reward Points as welcome gift Complimentary membership to the Air India Frequent Flyer Program-Flying Returns.	**Bon Voyage:** 5,000 Reward Points as welcome gift Complimentary membership to the Air India Frequent Flyer Program-Flying Returns.
Every time you spend, receive a lot more: Use your Air India SBI Signature Card and get 4 Reward Point for every Rs. 100 spent. Anniversary gift of 5000 Reward Points every year	**Every time you spend, receive a lot more:** Use your Air India SBI Platinum Card and get 2 Reward Point for every Rs. 100 spent Anniversary gift of 2000 Reward Points every year
Enjoy bonus Reward points **:** Annual Spends — Cumulative Bonus Reward Point Rs. 3 Lakh — 20,000 Rs. 5 Lakh — 40,000 Rs. 10 Lakh — 90,000	Enjoy bonus Reward points - Annual Spends — Cumulative Bonus Reward Point Rs. 2 Lakh — 5,000 Rs. 3 Lakh — 15,000
Elevate, every time you fly: 1 Reward Point = 1 Air India Air Mile 20 Reward Points for every Rs. 100 spent on Air India Tickets. Membership upgrade to the Silver edge or the Golden edge club on annual spend milestone of 5 lacs and 10 lacs respectively.	**Elevate, every time you fly:** 1 Reward Point = 1 Air India Air Mile 10 Reward Points for every Rs. 100 spent on Air India Tickets.
Fuel Surcharge Waiver: Enjoy the freedom from paying 2.5% fuel surcharge across all petrol pumps. *Maximum surcharge waiver of Rs.250 per statement cycle per credit card account. Transaction between Rs. 500 and Rs. 4,000. GST extra wherever applicable*	**Fuel Surcharge Waiver:** Enjoy the freedom from paying 2.5% fuel surcharge across all petrol pumps. *Maximum surcharge waiver of Rs.250 per statement cycle per credit card account. Transaction between Rs. 500 and Rs.4,000. GST extra wherever applicable*
Be our guest in leading Indian Airports: Enjoy International Airport Luxury Lounge Access to over 600 airport lounges in over 300 cities worldwide at a nominal fee through the complimentary Priority Pass. *The stamped membership of the priority pass program is complimentary every year, whenever you visit a priority pass member lounge, a usage of up to $27 will be charged to your Signature Card* Enjoy visa lounge access program at 8 major domestic Airports.	**Be our guest in leading Indian Airports:** Enjoy visa lounge access program at 8 major domestic Airports.
Fraud Liability Cover: Complimentary credit card fraud liability cover of Rs. 1Lac. This cover is liable from the period of 48 hrs. prior to reporting of loss till 7 days post the reporting of loss.	**Fraud Liability Cover:** Complimentary credit card fraud liability cover of Rs. 1Lac. This cover is liable from the period of 48 hrs. prior to reporting of loss till 7 days post the reporting of loss.

Source: https://www.sbicard.com

Highlights of the Air India SBI Signature Card

*4 points for every Rs 100 spent
*20 reward points for every Rs. 100 spent on Air India website and booking offices
*Bonus reward points on annual spends of
Rs 3 lakh- 20,000 bonus reward points
Rs 5 lakh- 20,000 bonus reward points
Rs 10 lakh- 50,000 bonus reward points
*Reward points can be redeemed for
Air India Air miles - 1 reward point = 1 Air Mile
Attractive gifts from the SBI Card Rewards Catalogue
*Premium privileges include
1 complementary domestic upgrade voucher
Complementary lounge access

Highlights of the Air India SBI Platinum Card

*2 points for every Rs 100 spent
*10 reward points for every Rs. 100 spent on Air India website and booking offices
*Bonus reward points on annual spends of
Rs 2 lakh- 5,000 bonus reward points
Rs 3 lakh- 10,000 bonus reward points
*Reward points can be converted to
Air India Air Miles for free air travel
*Premium privileges include complementary lounge access

Source: Press Release on Air India and SBI Card Join Hands to Launch a New Co-Branded Credit Card Enhancing world class travel experiences to Indian customers through a unique collaboration, Retrieved from https://www.sbicard.com/PDFs/ SBI_Cards_launches_new_co-branded_credit_card_with_ Air_India.pdf on 25 November 2013 at 4 Pm

INTERPRETATION

This paper is an attempt to evaluate the value of co-branding in creating a better brand with the help of a case study and by analyzing the other aspects of co-branding. In co-branding, the first and foremost criterion is the selection of a partner. Brand managers have to be careful in the selection of a partner brand. As has been discussed that proper evaluation of the brand going for co-branding is a must as an association with a partner brand may either come out to be helpful or may damage the reputation of a brand. Brand managers need to be efficient in the management of a brand and have to follow certain criteria such as strong network, industry associations, and customer base of the brand while selecting a partner brand. Literature suggests that both brands going for co-branding should share a common vision with like-minded management as both of them have to benefit from the new co-branded product. Brand managers have also to focus on traits of a brand, customers of a brand, and popularity of a brand in the market before venturing into alliance. Otherwise, tie-up between two brands can lead to the damage of partner brand equity. It has been found that a weaker brand gets the advantage of associating with a stronger brand but tie-up with any controversial brand can also hamper the reputation of the partner. The association between two weak brands will give benefit to both the brands. Therefore, brand managers need to focus on complementarities of the brand Co-branding or it can dilute the partner brand once brand features are mismatched with the parent brand.

The present case study of Air India and SBI Card Co-branding indicates that both brands have shared a common vision by focusing on the Indian customers that are either using credit card and fly in the sky or they are prospects of doing so. Air India wants to reach out to the Indian consumer base through hassle free travel and SBI card wants to hit the promising and budding credit card users through delighted services. Research also

signifies the advantages and disadvantages of co-branding. Various examples have illustrated that co-branding has more advantages than drawbacks. Some marketers think that co-branding dilute the brand image of an associated brand because marketers don't have any control on consumers' perception. Positive side marketers are of the view that participating brands will benefit from economies of scale, risk sharing, increase sales, and sharing expertise to minimize the weaknesses.

MANAGERIAL IMPLICATIONS

Brand management has radically changed the businesses and connected the global market through business or product promotion. The new concept of co-branding has given rise to new ways of product promotion which allows the managers and executives to focus on two-aspects such as development of the market and development of the product. It is a tool in the hand of management to increase the brand's market share in the competitive market place and expand footprint in the global market. The stock of literature available on this topic indicates that co-branding has become a fruitful strategy for companies to attract consumers and develop markets. The current trend of co-branding asserts that brand managers of different companies have taken a recourse to co-branding to increase the sale of the product or seek help any where in the value chain. This case study will help the managers to understand co-branding by analyzing the detailed attributes of Air India and SBI card. The present research study also shows that co-branding has an impact on an increase in the market share. This study will also help managers to make different strategies for overcoming the limitation of existing co-branding techniques by being aware of the different characteristics. As the research was confined only to secondary data, results may vary if research is conducted with the help of primary data.

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